

June 13, 2001

Dennis Smith  
Director  
Center for Medicaid and State Operations  
Health Care Financing Administration  
Department of Health and Human Services  
Mail Stop S2-26-12  
7500 Security Blvd.  
Baltimore, MD 21244

Dear Mr. Smith:

Maryland requests an amendment to its §1115 health care reform demonstration waiver (project #11-W-00099/3) to include the newly-created Maryland Pharmacy Discount Program (MPDP). The Maryland General Assembly passed legislation (HB 6/SB 236, the Senior Prescription Drug Relief Act) during its 2001 session, which was signed by the Governor, directing the Secretary of Health and Mental Hygiene to seek a federal waiver to expand pharmacy benefits for residents of Maryland.

Under the new program, beneficiaries would have access to Medicaid prescription drug coverage. Maryland proposes to extend the Medicaid payment and rebate structure to the following three groups of people not currently eligible for pharmaceutical coverage under the State's Medical Assistance/HealthChoice Program:

- Group I: all individuals not eligible for Medicaid or the Maryland Children's Health Program whose income and assets do not exceed the standards indicated in Attachment 1. Additionally, all Qualified Medicare Beneficiaries (QMBs) would be eligible in this Group. Some members of this Group currently receive a limited prescription drug benefit. Persons in Group I would receive all Medicaid formulary prescription drugs for a \$5 co-pay.
- Group II: Medicare beneficiaries who do not qualify under Group I but whose income is at or below 175 percent of the federal poverty level (currently \$15,033 for an individual, \$20,318 for a couple) would be eligible to purchase all Medicaid formulary drugs at 65 percent co-insurance.
- Group III: Medicare beneficiaries with incomes above 175 percent of the federal poverty level would be eligible to purchase all Medicaid formulary drugs at 85 percent co-insurance.

The Maryland Pharmacy Discount Program will work as follows:

- 1) Eligible individuals will be issued identification cards to indicate their membership in MPDP.
- 2) The provider will charge Group III enrollees 85 percent of the Medicaid rate, and will charge Group II enrollees 65 percent of the Medicaid rate. Group I enrollees will be charged a \$5 co-pay per prescription.
- 3) The Department is seeking the authority to allow pharmacists to charge enrollees an additional \$1 processing fee for each prescription filled for Group II and Group III enrollees under the new program.
- 4) The provider will submit the claim to the State to determine the subsidy amount and amount due by the enrollee before dispensing the prescription and collecting payment from the enrollee.
- 5) The provider will be reimbursed by the State for the subsidy amount: Group I=Medicaid price minus a \$5 co-payment; Group II=35 percent of the Medicaid rate; Group III=15 percent of the Medicaid rate.
- 6) The State will bill the drug manufacturers quarterly to collect the Medicaid rebate.

Maryland estimates that 255,000 Medicare-covered individuals will be eligible and 150,000 will participate in this expansion. Attachment 2 shows the impact of the program on the waiver's budget neutrality requirements. The Department believes the costs of operating the program will be within the 5.5 percent budget neutrality cap.

Along with other states that are currently operating pharmacy waiver programs, Maryland believes this initiative will allow the Health Care Financing Administration to examine the drug utilization patterns of Medicare beneficiaries through information available through Maryland's MMIS. This information will provide an invaluable resource as the federal government examines potential options for designing a Medicare prescription drug benefit.

If you have questions or need more information, please contact John G. Folkemer, Acting Deputy Secretary for Health Care Financing, at (410) 767-4664.

Sincerely,

Georges C. Benjamin, M.D.  
Secretary

Attachments

cc: John G. Folkemer  
Linda Welle  
Jim Hake

### Attachment 1

INCOME AND ASSET STANDARDS (adjusted annually)		
<i>Number of Persons in Household Unit</i>	<i>Gross Annual Income</i>	<i>Assets</i>
1	\$10,000	\$3,750
2	\$10,850	\$4,500
3	\$11,900	\$4,650
4	\$12,750	\$4,800
5	\$13,700	\$4,950
6	\$14,450	\$5,100
7	\$15,650	\$5,250
8	\$16,800	\$5,400
9	\$18,050	\$5,550
10	\$19,000	\$5,700